

Report of the
OVERSEAS PRIVATE INVESTMENT CORPORATION
on the
HOST COUNTRY DEVELOPMENT and
U.S. ECONOMIC EFFECTS of
OPIC-ASSISTED PROJECTS

FISCAL YEAR 2006



Submitted Pursuant to
Section 240A of the
Foreign Assistance Act of 1961,
As Amended

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HOST COUNTRY DEVELOPMENT AND U.S. ECONOMIC EFFECTS OF PROJECTS ASSISTED BY OPIC IN FY 2006

Executive Summary

- In Fiscal Year 2006, OPIC assisted 70 projects (including 3 framework agreements) in 38 countries or regions, involving a wide range of industries. These projects are expected to generate \$1 billion in U.S. exports, support over 2,700 U.S. jobs and have a positive impact on the U.S. balance of payments.
- Of all projects OPIC supported in Fiscal Year 2006, 87 percent or 61 projects involved U.S. small businesses. Moreover, the projects OPIC assisted in Fiscal Year 2006 are expected to procure \$106 million from U.S. small businesses located in 35 states, plus the District of Columbia, generating and supporting 227 U.S. jobs during the first five years of operations.

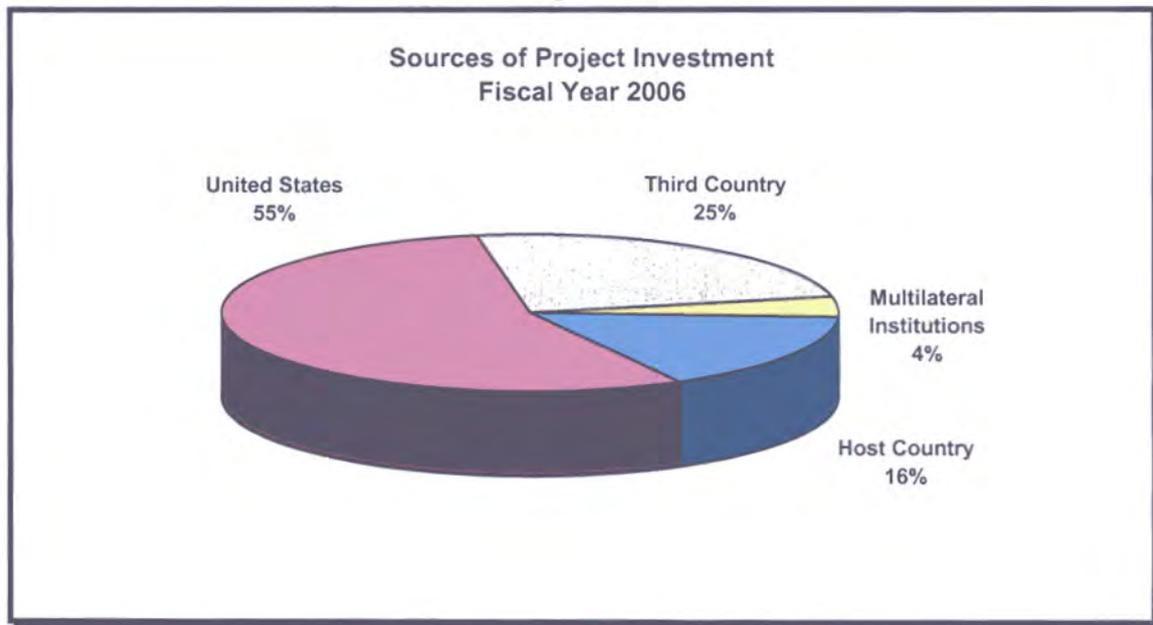
Seventy-seven percent of Fiscal Year 2006 projects involved the service sector, which includes banking/finance, communications, housing construction, tourism and other services. The high proportion of projects in the service sector reflects the increasing importance of this sector in the U.S. economy and the desire of U.S. service companies to expand their operations internationally.

- The projects OPIC supported this Fiscal Year are expected to generate directly over 24,000 jobs in developing countries. The total initial host-country expenditures are projected at \$3.4 billion, which will support these jobs and spur additional economic activity and employment in the host countries. Ninety percent of the 70 OPIC-supported projects in Fiscal Year 2006 were located in low- and middle-income developing countries.
- OPIC just completed the third and final year of its sixth three-year monitoring “round.” In Fiscal Year 2006, OPIC’s economic officers visited 34 insurance, finance and investment fund projects in 19 countries including projects in Africa, Central America, Latin America, Asia, Russia, Europe, and the Caucasus. All of the projects OPIC site-monitored were evaluated for their effects on the U.S. and host-country economies and employment.
- Every project considered for OPIC financing, insurance or for investment by an OPIC-supported Fund in Fiscal Year 2006 was subject to a human rights review. For each project clearance, OPIC works in close consultation with the U.S. Department of State’s Bureau of Democracy, Human Rights, and Labor (DRL).
- Every project considered for OPIC financing, insurance or for investment by an OPIC-supported Fund in Fiscal Year 2006 was subject to a full worker rights review. OPIC support was conditioned upon adherence to internationally recognized worker rights. Statutorily required contract language, in addition to supplemental language addressing one or more of these fundamental rights was included in the vast majority of these clearances.
- OPIC continued focusing its resources and efforts on becoming a more effective instrument of U.S. foreign policy by working in close collaboration with other U.S. agencies in bringing economic development to strategic regions in the world, such as the Middle East and North Africa, Sub-Saharan Africa, and Central America.

In Fiscal Year 2006, OPIC assisted 70 projects in 38 countries or regions.

In Fiscal Year 2006, OPIC's insurance and finance programs assisted 70 new projects¹ located in 38 countries or regions around the world. The total investment amount of the 70 new projects was \$5.2 billion, of which approximately 55 percent (\$2.9 billion) represents investment from U.S. sources, 25 percent (\$1.3 billion) from third countries, 16 percent (\$830 million) from host countries, and 4 percent (\$216 million) from multinational development institutions (see Figure 1). Thus, OPIC's assistance to U.S. investors leveraged over \$2.3 billion worth of investment from non-U.S. sources. This additional investment increases the host country and U.S. economic benefits derived from these projects.

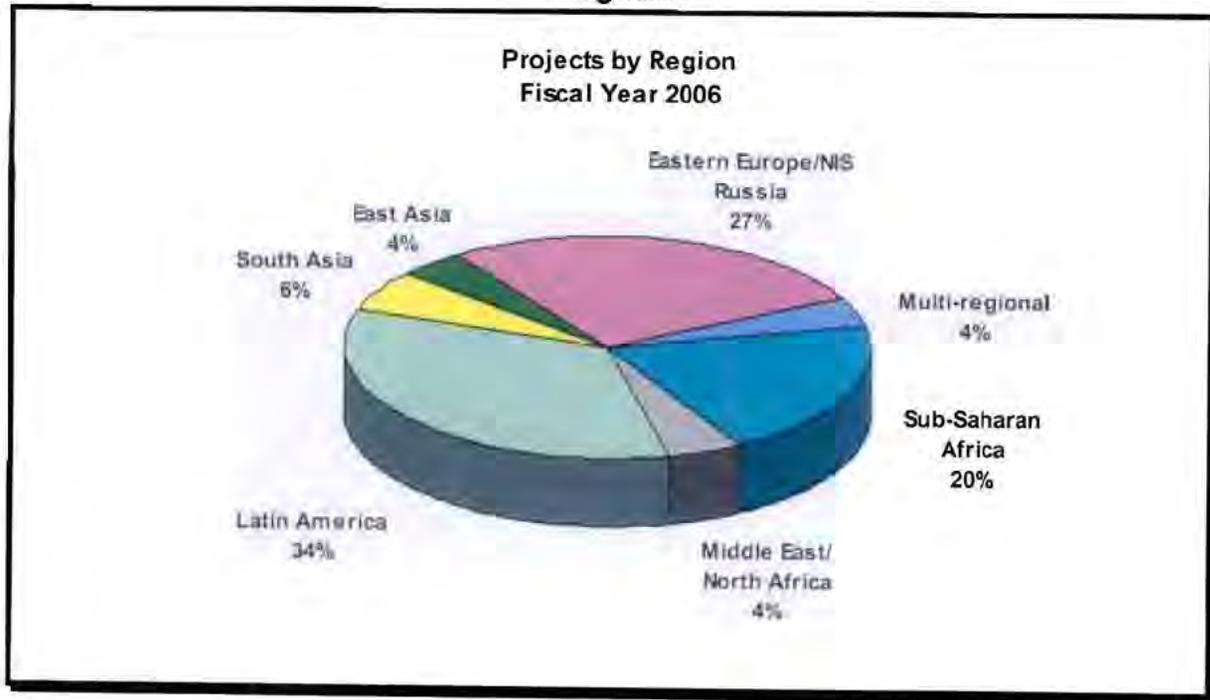
Figure 1



¹ The total project count includes 67 new projects and 3 structured finance framework agreements. As it has in previous years, OPIC estimated the economic impact of the framework agreements using a model based on actual monitored results from similar types of facilities. The U.S. and host country developmental impact data in this report include the estimated collective impact of the 67 new projects plus these three framework agreements, and, thus, for reporting purposes, the three framework agreements are included in the project count. Other OPIC reports, including OPIC's Annual Report, do not include the overall framework agreements in the project count, since no subsidy is reserved until the individual downstream investments from these framework agreements are identified and approved. Next fiscal year, this report will begin including the estimated economic impact of the individual downstream investments of both framework agreements and investment funds that were committed to during the fiscal year. OPIC will include the estimated economic impact of these individual downstream investments in its cumulative reporting data and will no longer estimate the overall economic impact of each framework agreement and investment fund using modeled data. The downstream investments of the framework agreements and investment funds will be included in the project count -- not the overall framework agreement or investment fund. Using this more inclusive approach to project count, the data will encompass a complete universe of the projects that OPIC supports on an annual basis.

The regional distribution of OPIC's Fiscal Year 2006 projects is shown in Figure 2 below:

Figure 2



Latin America

Twenty-four (34 percent) of the year's new projects are located in Latin America. Mobilizing private sector investment in Central America has been one of OPIC's foreign policy priorities since the enactment of the Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR). Seven out of the 24 projects OPIC supported in Latin America are in countries that are signatories to the Agreement (i.e. Costa Rica, Honduras, Guatemala, Nicaragua, and Dominica). For example, in Honduras, OPIC provided a \$10 million direct loan for Banco Lafise through Roberto Zamora, a U.S. citizen. Banco Lafise is seeking to expand its operations via the development of a mortgage loan program in Honduras with a fixed interest rate in U.S. dollars. Long term funding for residential mortgages is limited in Honduras and fixed-rate mortgages are not currently available. Banco Lafise will use the additional funds to originate mortgages that will enable borrowers in Honduras to purchase existing properties or build new homes. The housing sector in Honduras faces a critical shortage of moderately priced, quality housing. About 700,000 houses were damaged or destroyed by Hurricane Mitch in 1998; the development of a competitive residential mortgage market is a key component in the recovery and growth of the Honduran housing market. Banco Lafise is playing a critical role in this growth and recovery.

Elsewhere in the region, Açai do Amapá Ltd. will use proceeds from a \$3.7 million OPIC loan for the construction of an açai berry processing facility in the city of Santana, in Brazil's Amapá state, and to fund operations to supply açai products to export and local markets. Açai do Amapá is a subsidiary of Sambazon, Inc. of San Clemente, California. The facility will produce bulk açai pulp for sale to independent industrial distributors, key customer accounts and affiliated companies. Açai berries grow

in Amazonian palm trees and therefore, cannot grow in the United States due to climate limitations. Logging and unsustainable farming methods are rapidly depleting the Brazilian rainforest and forcing rural populations to farm either marginal land or use unsustainable farming techniques to attempt to increase their yields. Conducted properly, Açai berry harvesting can be sustainable, which will therefore provide an annual source of employment and income for the rural people in the area. As the berries grow naturally in the forest, farming is completely organic and Açai do Amapá's products will bear U.S. Department of Agriculture organic and fair trade certifications.

Sambazon and Açai do Amapá received a 2006 Award for Corporate Excellence from the U.S. Department of State for its developmental and economic impacts in Brazil. Secretary of State Condoleezza Rice said "Sambazon is an outstanding example of the positive impact that a small company can make to the economy, the environment and the society of its host country. Sambazon was selected for its efforts to promote sustainable development in the Brazilian rainforest while improving the conditions of indigenous people through creative marketing of the açai fruit."

In Bolivia, OPIC is providing political risk insurance coverage on an acquisition and expansion of AXS Bolivia, a telecommunications company in Bolivia, by the U.S. investor, NextG Telecom, Ltd. AXS Bolivia's mission is to deliver premium quality communications and internet services to the Bolivian marketplace in an environment that continues to be dominated by the incumbent, ENTEL. Following Bolivia's telecom sector deregulation at the end of 2001, the company put a focus on providing an alternative telecom and internet services delivery system. AXS – with 2004 sales of approximately \$18 million – injects true competition in the Bolivian marketplace, and has become a harbinger of competitively priced and higher quality services accessible for the general population, and in particular for the business enterprises that demand reliability and feature functionality with competitive pricing. Since AXS Bolivia entered the market, prices have dropped substantially and are expected to continue to do so as AXS grows, benefiting both Bolivian businesses and consumers, and assisting the country in its economic growth through improved communication services.

Eastern Europe, the New Independent States, and Russia

This year, OPIC continued to support the development of competitive markets and entrepreneurial enterprises in Eastern Europe, the New Independent States, and Russia. OPIC assisted 19 new projects in the region during Fiscal Year 2006, representing 27 percent of the year's total projects.

In Kazakhstan, OPIC provided debt financing for a \$1.89 million investment in Asian Credit Fund (ACF), a non-banking microfinance institution established and operated by Mercy Corps, a U.S. non-profit organization. As a non-deposit taking institution, ACF has exhausted its resources and seeks additional debt and equity financing to enable continued growth of its lending portfolio. Mercy Corps will inject equity and help secure ACF's procurement of \$1.5 million in OPIC debt financing. Though Kazakhstan's banking sector is substantial, credit availability still remains weak for most small and medium enterprises (SMEs) and, in particular, micro-entrepreneurs. This project encourages economic development in Kazakhstan and supports private sector development through the financing of micro-entrepreneurs and SMEs.

In Azerbaijan, OPIC has provided financing to SOAKredit LLC (SOA), an independent limited liability non-bank credit organization created in 1999 with funds from the U.S. Agency for International Development (USAID) as part of Shorebank Advisory Services' (SAS) Caucasus Small and Medium Enterprise Program. SOA's purpose is to implement an innovative finance program designed to stimulate local business growth and facilitate Azerbaijan's transition from a demand to market economy.

The project will have a developmental impact on the host country through the provision of local mortgage financial services for residential housing and SME development, sectors which have not traditionally had sufficient capital availability in Azerbaijan. The maturity length of the proposed loans is double the current average loan maturity in Azerbaijan. The project will stimulate other sectors of the economy in need of growth, particularly the construction and building materials sectors. It will also increase employment in the local SMEs that receive funding through SOA, as funding for these sectors has been historically scarce in Azerbaijan.

In Russia, OPIC will provide the financing to ZAO Europlan (Europlan), the leading lessor of equipment and vehicles to SMEs throughout the Russian Federation, to support a \$450 million planned expansion over the next two years. Europlan is owned by two private equity firms, Delaware-partnership Capital International Private Equity Fund IV (CIPEF) and Baring Vostok Capital Partners (BVCP). The project will benefit underdeveloped areas: Europlan currently serves 60 of 89 regions in the Russian Federation, and conducts more than 50 percent of its business outside of the greater Moscow area. This project also targets small and medium sized businesses in Russia; forty-four percent of the company's current portfolio consists of clients with 25-100 employees and 23 percent of the portfolio consists of clients with less than 25 employees. Therefore, this project supports the growth and development of the Russian economy by targeting small and rural businesses and providing them with the vehicles and equipment needed to grow their businesses.

Sub-Saharan Africa

Facilitating private investment in Sub-Saharan Africa continues to be a high priority for OPIC. OPIC assisted 14 new projects in Sub-Saharan Africa during Fiscal Year 2006, representing 20 percent of the year's total projects. For example, this year OPIC committed \$50 million in financing to support the establishment of a new private equity investment fund that ultimately could invest as much as \$200 million in growing businesses throughout sub-Saharan Africa. The OPIC loan will support the Sub-Saharan Africa Fund, whose investment strategy will center on the development of high growth potential start-up opportunities, as well as larger buy-out opportunities. The fund will focus on the West African region, with an emphasis on Nigeria, but also on opportunities within countries of the Southern Africa Development Community. The fund manager, Helios Investment Partners, will then institutionalize the businesses it invests in, by recruiting high-level management talent, developing financial controls, and spearheading strategies for entry into other African markets. The fund promotes private equity investment in a region with historically minimal private equity flows and is expected to have positive fiscal and employment impacts.

In Kenya, OPIC will provide a \$500,000 loan to Living Water International (LWI), a Texas-based nonprofit organization, for the purchase of equipment – a high-capacity drilling rig, two supply trucks, an air compressor and two pumping service trucks – that will enable LWI to drill 70 additional wells per year and reduce a backlog of 500 requests for new well construction. As each borehole is being drilled, LWI crews provide local stakeholders with instruction on water hygiene; after drilling is completed, LWI trains stakeholders in well operation and maintenance. The project promotes accessibility to clean water in a country experiencing chronic shortages. Most of the wells will be drilled in rural areas and many will be drilled for schools and medical clinics. This project will improve the health and well-being of thousands of individuals by providing a staple good and reducing the incidence of water-borne diseases such as cholera and typhoid.

In Ghana, OPIC will provide expropriation and political violence coverage for an \$850,000 investment in the computer services industry by Warren Development Corporation, a U.S. small business based in Los

Angeles, CA. The project will establish four public access centers that will provide satellite-based data, voice, fax and Internet services to the general public in regional capital cities. Access to low-cost international phone services is also a key component of the project's business. The centers will offer affordable communications services to a segment of the population that is either without access currently or faces prohibitive costs for similar services. Providing basic telecommunication services will aid in the development of the Ghanaian economy by facilitating improved business communication and networking small-businesses and local entrepreneurs into the larger economy.

In Tanzania, a U.S. small business will use political risk insurance from OPIC to assist in the construction of 5,000 homes in various major cities, serving as a model for companies considering investment in a country where 60 to 70 percent of urban residents live in unplanned areas lacking basic services. OPIC will provide \$12.4 million in insurance to Enterprise Homes Tanzania Limited, a joint venture partly owned by Enterprise Homes LLC of Andover, Massachusetts, for the development of several residential housing neighborhoods in Dar es Salaam and other major cities throughout Tanzania. Each residential neighborhood will consist of a cluster of single-family homes, located on a land plot situated within 20 miles of a city's central business district. Each development will include the installation of required infrastructure, including roads and utilities. Sale of the homes will target middle-income Tanzanians, for whom the project will also provide fee-based mortgage brokerage and origination services. Options currently available to finance the purchase of housing in Tanzania are extremely limited and the majority of property owners acquire land through an informal system and then build homes based upon the availability of personal cash resources. This project will help resolve Tanzania's critical housing shortage, and aid in the creation of a mortgage market in country.

South and East Asia

In South Asia, OPIC assisted 4 new projects representing 6 percent of the projects OPIC supported in Fiscal Year 2006. For example, OPIC provided stand-alone terrorism and political violence insurance for the International Rescue Committee's (IRC) operations in Nepal. In September 2005, the IRC conducted an assessment of conditions in Nepal in light of the growing conflict between the government and Maoist insurgents. That conflict already had displaced more than 200,000 people. As a result of the study, the IRC decided to begin operating in Nepal in 2006. Since then, the IRC has met with 30 local organizations and is preparing for programs that address emergency health care and support to victims of sexual violence in two districts. OPIC's provision of political risk insurance enables IRC to continue performing its critical humanitarian aid programs in high-risk regions around the globe.

In Afghanistan, OPIC provided financing for [REDACTED]

[REDACTED]

[REDACTED]. The project will [REDACTED]

[REDACTED]. The project will [REDACTED]

[REDACTED]. The company will [REDACTED]. This project [REDACTED]

[REDACTED].

In East Asia, OPIC assisted 3 new projects, representing 4 percent of the projects OPIC supported in Fiscal Year 2006. In the Philippines, OPIC provided a direct loan to The PowerSource Group, Ltd. to install community energizer platforms (CEP) in various rural communities throughout the Philippines.

The PowerSource Group, Ltd. has selected various rural, underdeveloped and un-energized communities to install CEPs around the country. A single CEP, which includes power generation, power distribution and household connections, provides electricity to between 1,000 to 2,000 households. PowerSource is certified to operate all three components as a unitary system under the Philippine Electric Industry Power Reform Act, a recent governmental reform. In addition, the CEP enables the community to generate income and promote development through the use of various individual modules including refrigeration and cold storage, rice mill and drying, water purification, communication service and a medical facility. The availability of these benefits will improve the quality of life to local communities. PowerSource plans to roll out 18 CEPs, over the next 12 months and a total of 300 over an eight year period. It will be supplying electrical power and a number of technological innovations to over 300 off-grid communities throughout the Philippines. By providing electricity to businesses and households, PowerSource Group will enable improved economic productivity and life-style enhancements for many rural communities.

In Vietnam, OPIC provided political risk coverage on an investment and privatization of VietnamNet Joint Stock Company (VietnamNet JSC), a state-owned enterprise (SOE), by BMCC, the U.S. investor. BMCC will be acquiring a 24 percent stake in VietnamNet JSC, making the U.S. investor the second largest shareholder in the company. VietnamNet JSC is the leading Internet media outlet in Vietnam. In addition to news, the Web portal offers products and services such as Web-based mail, SMS, and ring tones. VietnamNet JSC is being privatized by VNPT, the telecom monopoly of Vietnam. Through its operating subsidiary, VNPT will retain control of 37 percent of VietnamNet JSC. As the privatization of an existing SOE, the project will support Vietnamese government initiatives to establish a globally competitive, market-based economy while improving the telecommunication infrastructure of Vietnam.

Middle East and North Africa

With about 23 percent of the 300 million people in the Middle East and North Africa living on less than \$2 per day, OPIC is committed to expanding its activities in the region. In Fiscal Year 2006, OPIC assisted 3 new projects in the region, representing 5 percent of the year's total projects.

In the Middle East and North Africa (MENA) region, OPIC provided a \$75 million debt investment to a new investment vehicle, EMP MENA Fund ("the Fund"), managed by U.S. private equity firm Emerging Market Partners (EMP). Total fund capitalization will amount up-to \$225,000,000. The Fund will be focused on achieving long-term capital appreciation in equity and equity-related stakes in companies operating in the MENA region in telecommunications, agribusiness, natural resources, manufacturing, mining, transportation, logistics, financial services and other sectors. Such investments will provide capital for new business development and existing company expansion, restructuring, and privatization in the region.

Investments in the fund are expected to generate approximately \$18 million in duties and taxes paid to host countries' governments during the first five years of operations. The Fund is expected to create over 2,800 permanent jobs in OPIC-eligible countries by the fifth year of the investment period, of which about 40 percent will be professional or technical positions. Over \$1 billion will be spent in the MENA countries on initial and operational procurement over the first five years of operations. The EMP MENA Fund will have a tremendous impact by drawing private equity flows to a relatively untapped private equity market.

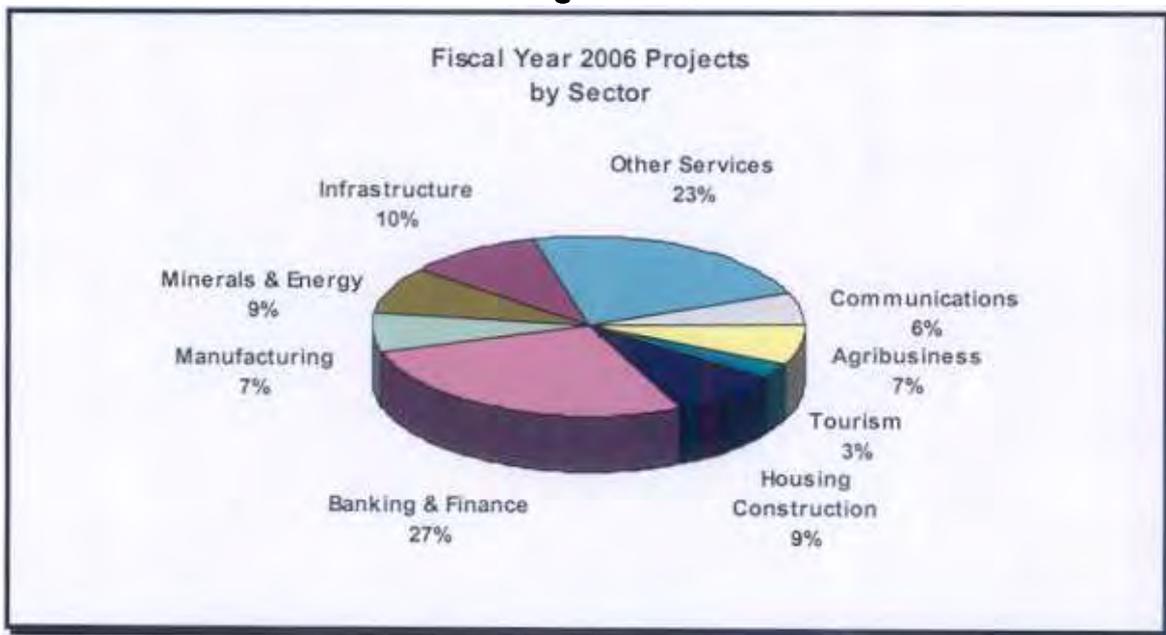
In Iraq, OPIC provided a performance bond insurance guarantee for a contract with the Government of Iraq's Ministry of Water Resources (MWR) that is based in Baghdad. The U.S. contractor, United Marine International (UMI), has been awarded a contract to supply five aquatic weed harvesters, two

collecting boats, spare parts and training to the Iraqi Ministry of Water Resources (MWR). UMI anticipates the MWR will use the equipment to maintain dams, waterways, irrigation and drainage systems in Iraq. The MWR is also engaged in a project to restore Iraq's marshlands. OPIC's support of UMI will assist in the reconstruction of Iraq's infrastructure and contribute to the economic stabilization of that country.

In Fiscal Year 2006, OPIC supported projects across a broad range of industries.

Figure 3 illustrates OPIC-assisted investments broken down by sector. Projects in the banking/finance sector accounted for 27 percent of all new OPIC-supported projects in 2006, followed by other services (23 percent), infrastructure (10 percent), housing construction (9 percent), minerals/energy (9 percent), manufacturing (7 percent), agribusiness (7 percent), communications (6 percent), and tourism (3 percent). The entire services sector, composed of infrastructure, communications, banking/finance, tourism, housing construction, and other services, accounted for 77 percent of all new OPIC-supported projects in 2006.

Figure 3



OPIC actively has supported projects in the housing and mortgage sectors.

In 2006, nine percent of OPIC's new projects were in the housing construction sector, and several other projects were in the mortgage-lending area which supports the growth of housing markets in emerging countries. OPIC's housing-related projects comprise projects in sectors as diverse as financial services for mortgage lending and loan securitization; manufacturing; construction; and other services supporting the housing market. OPIC has supported over \$1.6 billion in housing-related investments.

In order to address a shortage of both affordable housing and mortgage finance in Ghana, OPIC signed an agreement establishing a full-service financial institution in the country that will originate mortgage loans through an operating structure similar to that of a mortgage bank in the United States. OPIC is providing a \$30 million loan to GHF Fund 1 Limited, a credit facility and wholly-owned subsidiary of Ghana Home Loans Ltd. (GHL), which in turn is owned in part by Broad Cove Partners, a Massachusetts-based investment partnership. Using proceeds from the OPIC loan, GHL will originate U.S.-styled residential mortgages for up to 600 single-family residences, largely in the greater Accra region. Ghanaians will be able to obtain 15-year GHL mortgages with a 25 percent down payment. Other project sponsors include Standard Bank of South Africa and FMO, a developmental finance agency based in the Netherlands. This project is highly developmental in that it supports the development of Ghana's financial infrastructure and the growth of its housing market.

In Mexico, OPIC provided a \$7.8 million loan for a \$10.2 million investment for the construction of 800 low-income housing units in Celaya, Mexico and the simultaneous construction of a manufacturing plant to produce modular construction systems that will be sold throughout Latin America. The U.S. investor, Moladi Americas, Inc., will utilize Moladi construction technology, which involves modular injection-molded plastic forms that are assembled to create steel reinforced structures. The construction technology is ideal for affordable housing in developing countries because of its cost advantages relative to conventional masonry and wood construction, its ability to withstand earthquakes and hurricanes, and its moisture resistance and thermal insulation properties. The project will improve the Mexican social infrastructure by providing affordable housing to the lowest income segment of the population and indirect impacts on sanitation, health, education and economic development. Further, the construction of planned developments and their infrastructure (streets, sewage, etc.) will help to create organized urban areas.

OPIC promotes microfinance projects that provide economic opportunity at the local level.

OPIC supported numerous financial services projects in 2006, several of which specifically targeted the microfinance sector. As of September 30, 2006, OPIC is providing over \$120 million in loans and insurance coverage for projects that target microfinance-lending.

For example, OPIC provided a \$4.0 million loan to Microfinance International (MFIC), a U.S. company that provides remittance and other financial services in the U.S. in collaboration with microfinance institutions in Latin America. MFIC will use the OPIC loan to make loans to microfinance institutions in several countries in the region, including El Salvador, Nicaragua and Honduras.

With OPIC's assistance, MFIC will be able to provide increased access to capital to microfinance institutions across the region. This program will expand the financial product offerings of microfinance institutions working with MFIC and help convert micro entrepreneurs to bankable entities. In much of Latin America, remittances represent 10 percent or more of GDP and are one of the more important sources of foreign currency. The entrance of microfinance institutions (MFIs) into the remittance market has become a proven mechanism for leveraging remittance flows to achieve development goals. Moreover, microfinance, the provision of small loans and other basic financial services to underserved people, is an effective tool for alleviating the poverty of low-income families in developing countries.

OPIC supported a \$60 million special-purpose lending vehicle (SPV) for microfinance lending on a global scale by providing \$19 million in financing. MicroFinance Securities XXEB, S.A., the foreign

enterprise, is a SPV of Developing World Finance, LLC, (DWM). MicroFinance Securities will fund a portfolio of loans to participating microfinance institutions in developing countries, and service the payments due to its creditors. With OPIC's assistance, DWM will be able to provide much needed capital to microfinance institutions in the developing world, which, in turn, will impact positively the income and quality of life of micro-entrepreneurs and their families. The project will raise the visibility of the microfinance sector among mainstream investors. Furthermore, the project will introduce more sophisticated financing techniques to the microfinance institutions such as negative covenants and annual reaffirmation of credit ratings that are standard in western commercial financing.

I. U.S. Economic Effects

The projects that OPIC supported in Fiscal Year 2006 will support over 2,700 U.S. jobs and have a positive impact on the U.S. balance of payments.

The Fiscal Year 2006 portfolio of projects assisted by OPIC will result in significant economic benefits to the U.S. economy. A substantial portion of the initial procurement for OPIC-supported projects will be supplied by American firms, resulting in an estimated \$364 million in U.S. exports of capital goods and services. In addition, the value of American materials and equipment required for ongoing operations is estimated at \$725 million over the next five years. As a result of this level of initial and operational procurement from the United States, the projects will support an estimated 13,835 person-years of direct and indirect employment for U.S. workers. This is equivalent to an average of 2,767 U.S. jobs over a five-year period. Taking both the financial and trade flows into account, the combined impact of the Fiscal Year 2006 projects on the U.S. balance of payments over the first five years of operation is expected to be a positive \$751 million.

Table 1

ESTIMATED U.S. ECONOMIC BENEFITS OF FISCAL YEAR 2006 PROJECTS SUPPORTED BY OPIC	
Total project investment	\$5,169 million
U.S. investment in projects	\$2,857 million
U.S. percent of total	55 percent
Total direct U.S. project exports	\$1,088 million
Initial procurement from U.S.	\$364 million
Operational procurement (5 years)	\$725 million
Estimated U.S. employment supported (5 years, direct and indirect)	13,835 person-years (2,767 U.S. jobs)

OPIC-supported projects are carefully screened for their U.S. employment effects. OPIC does not support projects that would harm the U.S. economy or result in loss of U.S. jobs. OPIC collects and analyzes, both geographically and sectorally, the projected U.S. employment and associated economic effects of the projects that it assists. Even before taking into account their positive U.S. employment impacts, ***none of the Fiscal Year 2006 projects is expected to result in any U.S. job loss.***

OPIC's methodology for determining U.S. employment effects of OPIC-assisted projects is thorough and accurate.

Each project seeking OPIC assistance is reviewed on a case-by-case basis to estimate its U.S. employment effects. OPIC obtains estimates from the investor of the projected initial and operational procurement from the United States by value and specific type of good or service. The U.S. employment generated by a project's initial and five-year operational procurement of goods and services is estimated by considering the *direct and indirect* employment necessary to produce those goods and services. That is, the employment effects incorporate the direct employment necessary to produce the procured goods and services, as well as the indirect employment required for the production of the associated intermediate inputs.

OPIC details each type of U.S. good or service procured for each project and calculates the employment effect in that industrial sector as well as in the sectors that supply necessary components or inputs. By using this methodology, OPIC is able to ascertain employment-generation levels with greater precision than if it used an across-the-board average for all U.S. exports. By including indirect effects, OPIC's employment figures present a more accurate picture of the benefits accruing to U.S. workers from the procurement of goods and services. Finally, to confirm its estimates, OPIC monitors *actual* economic effects after project start-up and throughout the life of the project. OPIC's monitoring program is described in further detail below.

OPIC supports U.S. small businesses, directly and indirectly.

OPIC's efforts to reach out to U.S. small- and medium-sized businesses have yielded significant results in Fiscal Year 2006. OPIC supported 61 new projects that involved U.S. small businesses, representing 87 percent of all projects supported by OPIC in Fiscal Year 2006. OPIC support for U.S. small business took the form of political risk insurance for 24 companies and investment guaranties for ten companies. Thirty-two projects, or 52 percent of the 61 small business projects, received OPIC support in the form of direct loans.² These direct loans totaled over \$208 million. Since 1997, OPIC has provided over \$1.4 billion in direct loans to U.S. small businesses. In addition, of all active OPIC-supported projects, nine include U.S. investors that are women or minority-owned businesses.

The Center for Women's Business Research reported in 2005 that nearly half (48 percent) of all privately-held U.S. firms are 50 percent or more women-owned, employing 19.1 million people and generating nearly \$2.5 trillion in sales. Annual expenditures by women-owned enterprises for just four areas – information technology, telecommunications, human resources services and shipping – are estimated to be \$103 billion. A U.S. Census survey found that in 2002 there were 4.1 million minority-owned businesses, representing almost 18 percent of firms that could be classified according to the race, ethnicity or gender of ownership. These firms earned gross receipts of \$668 billion and employed 4.7 million workers. Between 1997 and 2002, the number of minority-owned businesses increased by 35 percent, whereas the number of non-minority firms increased by only six percent.

OPIC is dedicated to assisting this important segment of the U.S. business community expand into developing markets. OPIC is hosting a series of workshops aimed to inform representatives of minority and women-owned businesses with information about OPIC programs, particularly U.S. small businesses

² Five projects received both insurance and finance.

active in the housing and franchising sectors. The workshops include overviews of overseas investment opportunities and challenges and information about other federal government programs offering assistance to minority and women-owned businesses. The goal of the “Expanding Horizons” workshops is to enable minority and women-owned U.S. businesses to utilize their competitive advantages in emerging markets. The first workshop was held in Atlanta in September 2006. Two additional workshops took place in Chicago in October and Los Angeles in November.

Many small businesses benefit from foreign investment by larger U.S. firms. Larger companies often turn to small U.S. businesses for products and services to support an overseas project. During their first five years of operations, the projects OPIC assisted in Fiscal Year 2006 are expected to procure \$106 million from U.S. small businesses located in 35 states plus the District of Columbia, supporting 227 U.S. jobs.

OPIC collects data on the specific U.S. companies that will provide goods and services to OPIC-assisted projects. This data help to ensure that procurement estimates are as accurate as possible and also to identify specific regions of the country benefiting from OPIC-supported foreign investments. According to the data collected for the fiscal years 1994 through 2006, OPIC has identified the specific U.S. suppliers for \$14.4 billion in expected procurement for OPIC-assisted projects. These U.S. companies are located in 49 states, plus the District of Columbia. It is estimated that approximately 57 percent of these identified suppliers to OPIC-backed projects are U.S. small businesses. Nearly all U.S. procurement associated with OPIC-assisted projects is identified by specific product type, and in Fiscal Year 2006, 65 percent of project-related U.S. procurement was identified by specific supplier. Investors are encouraged to provide as much detail as possible regarding their procurement of U.S. goods and services so that the positive economic impacts of OPIC-assisted projects can be recorded fully and accurately.

OPIC-supported projects also support the fast-growing U.S. services sector.

As noted in Exhibit 3 (attached), 54 Fiscal Year 2006 projects, or 77 percent of the total, involved service industries including banking/finance, communications, infrastructure, housing construction, tourism and other services. The proportion of OPIC-supported projects in the service sector is high and reflects the overall strength of U.S. service industries. In 2005, the services-producing sector comprised 70 percent of the U.S. economy. Growth in the services sector (3.7 percent) led the overall growth of the U.S. economy in 2005 (3.2 percent). As growth in international trade of services continues, the U.S. comparative advantage makes likely that service exports will continue to outpace imports and contribute to a reduction in the U.S. trade deficit. OPIC support for projects in the services sector helps generate a larger market for U.S. service exports, which makes possible higher productivity and faster growth both in the U.S. and abroad. Thus, increased trade in services should benefit the U.S. economy broadly.

Exhibit 3 shows the location of projects assisted by OPIC in Fiscal Year 2006 along with the sectors of activity involved. Most of the services sector projects OPIC supported this year are located in the New Independent States, Eastern Europe, and Russia. OPIC supported 17 projects in the services sector in the emerging economies in Europe, 14 in Latin America, 14 in Sub-Saharan Africa, three in the Middle East and North Africa, two in East Asia, one in East Asia. Three projects serve all OPIC-eligible countries.

II. Host Country Development Effects

In Fiscal Year 2006, OPIC continued to implement its development matrix, scoring 55 of 70 projects.³

OPIC's core mission is to promote private U.S. investment that will contribute to the economic development of the world's less developed countries. OPIC selects projects that are likely to serve as foundations for long-term economic growth, especially those that improve upon the host country's infrastructure and provide the basic human necessities of shelter, food, water and health care. To support its developmental mission, OPIC evaluates and scores every proposed project in 26 key areas across three broad categories that objectively quantify its expected contribution to host-country development.

- Category I covers job creation, training, local procurement, corporate social responsibility, and equal employment opportunity – five highly-weighted impacts that should be demonstrated by any project, regardless of sector or the level of economic development within the host country. Category II covers 20 additional development indicators within such broad areas as human capacity building (degree of training), private sector development, resource leveraging, social effects, infrastructure improvements, macroeconomic and institutional effects, and technology/knowledge transfer. The degree to which projects demonstrate these additional developmental benefits depends significantly on the features of a given project.
- Category III adjusts for the host country's per capita GNP, reflecting both OPIC's priority to steer investment into the poorest countries and the reality that nations most in need often lack the capacity to support more developmentally sophisticated investments.

A project must score at least 40 on the matrix to be considered *developmental* and clearly eligible for OPIC support. A score of 100 or more qualifies a project as *highly developmental*. OPIC scored 55 projects out of the 70 that the agency supported this fiscal year.⁴ The average developmental score of all these projects was 97, exceeding the targets established in OPIC's operating plan for FY 2005 and FY 2006, which are 90 and 95, respectively. The average developmental score for the projects that received OPIC political risk insurance was 100. OPIC's long-term goal is to achieve an average development rating of 100 across all business lines.

³ In order to capture more accurately the developmental impacts of financial services-related projects, OPIC's Office of Investment Policy created a specialized developmental matrix that incorporates the components of a financial services project. Beginning with Fiscal Year 2007, all financial services sector projects will be scored on this new matrix and data from the financial services development matrix will be reported in the 2007 Annual Development Report. The financial services development matrix incorporates factors similar to the standard development matrix, such as: host country GNI per capita, human capacity building, private sector development, leveraging impacts, social effects, macroeconomic and institutional effects, and technology and knowledge transfers. The financial services development matrix also captures factors that are specific to financial services projects, including: financial instrument innovation and augmentation, multiplier/spillover effects, corporate governance, and financial sustainability. These additional factors result in a financial services development matrix that is a more comprehensive, accurate measurement of the developmental impact of financial services projects.

⁴ Framework agreements, investment funds and performance bid bonds are not evaluated on the development matrix. Exhibit 4 is a graphical representation of individual scores for each of the 55 projects.

In Fiscal Year 2006, OPIC focused its activities in low- and middle-income developing countries, providing an important source of employment and tax revenue for these economies.

The projects assisted by OPIC in Fiscal Year 2006 will provide significant economic and social benefits for developing host countries. The projects are expected to generate 24,333 jobs in developing countries directly, of which 9,889 (or 41 percent) are projected to be in skilled (management and professional) positions. Thirty-six projects of the 70 new projects are ventures with local partners, 17 of which feature equal or majority local ownership. Forty-one projects (59 percent) are located in the world's least developed countries, such as Nepal and Ghana, while 22 projects (31 percent) are located in middle-income developing countries, such as Russia and Peru.⁵ The seven remaining projects are located in Mexico, a country that has "graduated" from medium-income to high-income this year.⁶ The concentration of projects in low- and middle-income countries demonstrates OPIC's success in fulfilling its mission to focus on countries most in need.

The total initial host-country expenditures for Fiscal Year 2006 projects are projected at \$3.4 billion. This procurement of local raw materials, services, and semi-finished goods will support economic activity and employment in the host countries. The OPIC-supported foreign enterprises are expected to generate \$175 million annually in taxes and duties for the host countries. Once in operation, the projects will generate an estimated \$903 million in annual export earnings for the host countries.

⁵ As defined in OPIC's statute, low-income countries are classified as those with per capita GNP of \$984 or less in 1986 dollars. Middle-income countries are those with per capita GNP of \$985-\$4,268 in 1986 dollars.

⁶ Despite this change in classification, over 20 percent of the Mexican population lives on less than \$2.00 per day, indicating that there is significant income disparity within the country.

Table 2

ESTIMATED DEVELOPMENTAL IMPACTS OF FISCAL YEAR 2006 PROJECTS	
<i>Host Country Effects</i>	<i>Amount or Number (thousands of \$ or # workers)</i>
<hr/>	
A. Foreign exchange benefits ¹	
Exports generated	\$903,341
Imports replaced	<u>586</u>
<i>Total A</i>	\$903,927
<hr/>	
B. Foreign exchange costs ¹	
Capital outflows	\$2,360,133
Project imports	<u>309,739</u>
<i>Total B</i>	\$2,669,872
<hr/>	
Net foreign exchange impact (A less B) ¹	-\$1,765,945
<hr/>	
Net annual taxes, revenues and duties paid to the host country ¹	\$174,671
<hr/>	
Initial local expenditures	\$3,429,699
<hr/>	
Local employment generated in fifth year of operation	
Technical and management	9,889
Skilled and unskilled labor	<u>14,444</u>
<i>Total</i>	24,333

¹ Average annual amount over a 5-year forecast period.

Approximately 65 percent of the output associated with Fiscal Year 2006 projects will be sold in host country markets. For projects that will export to third countries, Exhibit 2 shows a breakout of the final destination of output for Fiscal Year 2006 investments over the first five years of operation.

III. Project Monitoring – U.S. Economic and Host Country Developmental Impact

OPIC operates a comprehensive and integrated monitoring program.

OPIC operates a comprehensive and integrated monitoring program to evaluate the U.S. and host-country economic effects as well as the environmental and worker rights impacts of its projects. OPIC's integrated project monitoring program is designed to ensure that each project complies with statutory requirements in these areas. The program itself consists of site visits to projects, in addition to the analysis of information submitted annually by investors in the form of an online "Self Monitoring Questionnaire." Self Monitoring Questionnaires are required of all investors per the OPIC finance agreement or insurance contract.

Please note that the section below discusses site monitoring results for U.S. and host country economic impact only, as Environment and Worker Rights site monitoring discussions are presented elsewhere in this report. See page 28 for more information concerning OPIC's project monitoring methodology. Using sampling theory, OPIC identifies investment projects that staff will site monitor during a three-year period, drawing active projects that exhibit specific characteristics within the portfolio. The sample of projects selected for site monitoring include: (1) a random sample of projects supported by the agency from 2000 through 2002; and (2) all projects supported during this period that are sensitive with respect to U.S. economic effects to ensure that these projects are not negatively impacting the U.S. economy. This "sensitive industry" sample ultimately provides a conservative bias to the monitored results. Projects that are visited are all evaluated for their actual impact on the United States and host country economies, including the employment generation effects of these investments.

OPIC's monitoring program documents that agency-supported site visited projects⁷ generated approximately \$2.5 billion in exports and supported 6,558 jobs for U.S. workers.⁸

The Insurance and Finance projects site monitored during the last three years represent all geographic regions in which OPIC operates, except the Middle East, and cover the full range of industry sectors assisted by the agency. Of the 59 projects included in these results, 19 are in Europe and the New Independent States, 14 are in Africa, 12 are in Central America, and seven each are in Latin America and Asia. All industry sectors are represented in the random sample. Data in the sample includes information from energy projects, financial services investments, agribusiness operations, manufacturing enterprises, oil and gas projects, tourism, and housing investments.

Results from the three-year round of site monitoring just completed in Fiscal Year 2006 reveal that the actual effects of site monitored OPIC-assisted Insurance and Finance projects on the U.S. economy are significantly positive with over 6,500 jobs supported and provide a positive contribution of over \$1.6 billion to the U.S. balance of payments. These results, summarized in Table 3 on the following page,

⁷ Non-Investment Fund subprojects.

⁸ Four large OPIC-supported power projects and two oil and gas investments accounted for over 75 percent of the \$2.5 billion in U.S. exports and five OPIC-supported power projects account for over 70 percent of the 6,558 U.S. jobs supported.

include data from the 59 Insurance and Finance projects that received an on-site visit during the monitoring round.

Table 3

Results of Site Monitoring Round Five – U.S. Effects		
Site monitored Insurance and Finance projects assisted in Fiscal Years 2000 – 2002		
	<u>Projected</u>	<u>Actual⁹</u>
Total Investment (Insurance and Finance projects)	\$6,280,124,565	\$6,105,713,679
<u>U.S. Effects (5 years)</u>		
Exports	\$2,730,011,599	\$2,502,141,629
Imports	(\$26,201,250)	(\$100,615,192)
Balance of Trade	\$2,703,810,349	\$2,401,526,436
Financial Outflows	(\$3,830,116,853)	(\$3,715,344,342)
Financial Reflows	\$6,458,472,492	\$2,974,687,919
Net Financial Flows	\$2,628,355,639	(\$740,856,423)
Balance of Payments	\$5,332,165,988	\$1,660,670,013
U.S. Employment (person years)	37,672	32,791
U.S. Jobs Supported	7,534	6,558

U.S. exports resulting from OPIC Insurance and Finance projects directly and indirectly support employment in the United States. The 59 projects evaluated during the site monitoring process generated 32,791 person-years of employment, which is equivalent to 6,558 U.S. jobs. An example of a project with significant U.S. employment effects involved a power project in Africa. The power plant is a well conceived and structured project that is operating in a stable legal and economic environment. The investor's infusion of over one billion dollars is supporting the largest independent power plant on the African continent. OPIC site monitoring revealed that the investment has supported approximately 1,267 jobs in the U.S. through the procurement of equipment and fuel.

Site monitoring reveals that the 59 investments included within this analysis have contributed over \$2.9 billion in financial reflows to the United States. While actual reflow data is considerably lower than original estimates, this is largely the result of large number of small and medium sized enterprise

⁹ Represents data from projects' first five years of operations.

projects that remit fewer funds to the U.S. due to the smaller OPIC loan amount and amortization schedules where loan principal is not paid in the first few years of the project's life.¹⁰ Although the balance of payments impact of site monitored Insurance and Finance projects is lower than originally anticipated, the results of the monitoring round indicate that these agency-supported investments still make a positive contribution to the U.S. economy. For example, while actual U.S. imports are significantly greater than anticipated, almost 75 percent of the differential is made up of imports from two projects. The first project imports coffee and spices not grown in the U.S. and the other project is a hotel in Brazil whose U.S. imports are derived from receipts from U.S. guests staying at the hotel.¹¹ Moreover, these results confirm that the methodology that OPIC uses to evaluate its U.S. economic impacts is generally an effective tool used to screen out projects that have the potential to impact negatively the U.S. economy.

OPIC-supported Insurance and Finance projects represent an important source of investment, employment and tax revenue for the economies of developing countries.

Site monitoring demonstrates that OPIC-supported projects are an important source of investment, tax revenue and employment overseas. For the 59 site monitored Insurance and Finance projects, the actual amount of investment capital that OPIC clients contributed to host country infrastructure development efforts totaled \$6.1 billion. Tax payments made by these same projects generate almost \$233 million annually in revenue for host country governments, an increase of 21 percent from original estimates, thereby providing a valuable source of funds for these developing nations.

Although site monitoring reveals that OPIC Finance and Insurance projects provide additional investment capital, generate tax revenue and support local employment in the host country, the net foreign exchange impact of the 59 site monitored projects was significantly more negative than expected. This result is largely due to the combined debt service impacts of four large OPIC-financed power projects.

¹⁰ Initial data collected at the time of clearance may not take these grace periods, etc. into account and thus the actual data may be lower. For example, the average reflow amount across the 59 projects monitored is \$50.4 million. When six large OPIC power projects are removed from the analysis, the average reflow amount drops to \$10.6 million. Finally, six of the 59 projects (10 percent) did not have any U.S. reflows at all.

¹¹ These U.S. guest receipts, totaling approximately \$21.5 million, were not accounted for in original project estimates.

Table 4

Results of Site Monitoring Round Five – Developmental Effects		
(Site monitored Insurance & Finance projects assisted in Fiscal Years 2000 - 2002)		
	<u>Projected</u>	<u>Actual¹²</u>
Total Investment (Insurance and Finance projects)	\$6,280,124,565	\$6,105,713,679
<u>Developmental Effects (annual)</u>		
Net Foreign Exchange Generated (Lost)	(\$192,001,068)	(\$472,292,518)
Taxes Paid to Host Country	\$192,001,068	\$232,844,714
Management/Professional Jobs Created	2,526	4,838
Labor Jobs Created	2,910	3,880
Total Host Country Employment	5,436	8,718

The 59 site monitored Insurance and Finance investments have created 8,718 host country jobs through the fifth year of project operations, 60 percent greater than original estimates. One project accounted for almost 20 percent of these host country jobs. This project, a microfinance project in Mexico, employed 1,353 full-time staff at the time of monitoring. Of these employees, 75 percent, or 1,015, are loan officers located in the regional and local branches throughout Mexico. Loan officers are responsible for serving and marketing to new clients as well as maintaining the relationship with current clients. The project also has 203 supervisory and administrative personnel that work throughout its branch locations and 135 employees that work at its headquarters in Mexico City.

The developmental benefits of OPIC projects go far beyond the accomplishments of this Mexican microfinance facility. In fact, a majority of the site monitored projects have promoted technology transfer and provided management and technical training for workers around the world. Many projects support local schools, provide housing assistance for their employees, and improve sanitary conditions in the community. Site monitoring also confirms that OPIC-assisted projects often build local infrastructure and diversify the host countries' economies.

Some additional examples of the developmental benefits of OPIC-supported investments can be found in an OPIC-supported integrated poultry farm in Ghana. Since the 1960s, the Government of Ghana has promoted increased poultry production in order to address an acute shortfall in the Ghanaian supply of animal protein. Recently, the Food and Agriculture Organization of the United Nations (UN-FAO) reported that the nation's fish stocks, now accounting for some 60 percent of supplies of national animal protein, were rapidly depleting, underlining the great need to expand production of poultry.¹³ However,

¹² Represents data from projects' first five years of operations.

¹³ *Structure and Importance of Commercial and Village-Based Poultry in Ghana*, UN-FAO, August 2006.

the poultry industry in Ghana has long struggled to establish itself, especially in the face of competition from imports. In this context, the importance of the OPIC-supported project cannot be underestimated. In fact, according to UN-FAO, the project operates one of only two poultry-processing facilities currently operating in the country. Moreover, it is the first new facility of its kind to be established in 15 years.

In addition to recognizing the health priority, the Ghanaian government as well as the FAO has acknowledged the potential that a developing poultry sector offers in terms of job creation. The fully integrated poultry farm investment that OPIC is supporting provides jobs in a poor, rural region with few employment opportunities, and encourages the internal promotion of employees at both the unskilled and skilled levels. Significant training is offered to all employees, with higher-level staff receiving training overseas. The project also offers significant employee benefits, competitive wages, and contributes to the local community, most notably with support to a local orphanage.

In addition to the aforementioned benefits, the project serves as a benchmark for poultry production in Ghana, having introduced new technology within the local industry and implemented new management systems and marketing strategies. The broilers produced are of a much higher quality than what was previously available through local production, offering local consumers a new alternative to imports.

Another highly developmental OPIC-supported project is a producer of organic coffee and spices located in Guatemala and Indonesia. The project's greatest developmental impact is its instrumental role in bringing organic and fair trade farming concepts and practices to Sumatra and Guatemala. The company trains local communities in sustainable organic farming, provides continuous technical assistance to them, and provides a fair trade market for them to sell their output. The company is the largest exporter of fair-trade organic spices in Indonesia. Its market share in Guatemala is also impressive, accounting for a large share of the organic coffee and spice market. The company's Indonesian operations employ 125 people in Sumatra, of which 50 are either management or professional, while in Guatemala, the company employs approximately 17, not including contractors who employ over 40 through contracts with the project. The company's fair trade policies help to promote individual property ownership as the project provides economic benefits in remote areas of Sumatra and Guatemala to individuals, families and communities.

Site monitoring also reveals that OPIC projects are succeeding in helping the United States meet important, although less quantifiable, foreign policy objectives. OPIC has encouraged actively projects in high priority areas, such as sub-Saharan Africa. For example, site monitoring projects in Africa has confirmed that recent OPIC initiatives to encourage the development of private enterprise in the region are yielding positive economic benefits. One notable project that OPIC officers visited was an affordable housing investment in South Africa. The affordable housing development process in South Africa requires developers to obtain allocations of subsidies and approval of subsidy recipients from provincial housing authorities. Established by the Government of South Africa to fill a critical need for housing development in the country, the OPIC-supported bridge-financing program provides loan guarantees enabling commercial lenders to fund the construction of affordable housing by local developers and contractors.

The facility increases the amount of low-cost quality housing available to low-income families. All housing units are in conformance with the requirements of provincial and national housing standards. The development of housing also results in an extension of the electrical supply, water supply, and sanitary system, as well as an increase in the availability of community facilities. This facility provides ongoing training for workers and experience for many small local developers. Local housing authorities, closely involved in the planning of authorized developments, generally prefer emerging developers and

contractors to established companies. The facility also increases employment in other areas of the economy and stimulates small. Local suppliers benefit from the use of local raw materials.

Another project site-monitored by OPIC involves the expansion of an already existing tea plantation and tea processing plant in Rwanda. The plantation is currently the largest employer in Rwanda, employing over 2,500 Rwandans on a permanent or seasonal basis. Tea is Rwanda's second most important export product after coffee, representing 36 percent of foreign exchange earnings. Proceeds from the business and the OPIC loan will be used to expand an existing upland tea plantation and to develop a eucalyptus plantation to provide a reliable source of fuel for tea drying operations, thus reducing dependency on local sources of firewood.

Visits to project sites in the Caucasus and the former Soviet Union also highlight OPIC's ongoing contribution to the development of market economies in formerly communist states. In Russia, OPIC officers visited a highly successful Moscow-based leasing business that employs over 300 professional staff. The company provides new hire, professional, and career development training for its entire staff, and financial rewards program for sales staff. The project promotes a strong, Western-oriented corporate culture with a company code of ethics, employee handbook and a Western-style approach to business management that is evident throughout the company's sales structure and bonus plan. Two-thirds of the company's customers are SME's, with 23 percent of this group classified as micro enterprises with less than 25 employees.

In Azerbaijan, OPIC site monitored a highly developmental OPIC-insured humanitarian assistance project, whose main purpose is to serve disadvantaged populations and regions throughout Azerbaijan with a variety of economic, social and educational programs. The project is largely supported through grant funding, much of which currently comes from U.S.-government sponsored programs. The project in Azerbaijan also is supported by other government aid agencies and other similar international development non-governmental organizations (NGOs).

Specifically, the project has advanced its development-focused programming while addressing basic needs of vulnerable populations in Azerbaijan and increasing the capacity of over 100 community leadership groups (representing more than 570,000 residents), 70 municipalities, and 12 national NGO partners in 18 regions to identify and address local problems—economic, health, agriculture, infrastructure and social—through a participatory community development approach. To promote economic development, the project launched eight Marketing Centers to assist entrepreneurs in addressing impediments to rural business development. Across nine regions, the project initiated formation of an agricultural production and processing system including 1,800 producer group members, 111 small enterprise shareholders, demonstration farms and processing facilities. In addition, the project assisted over 15,000 displaced persons to improve their living conditions and livelihood opportunities by increasing access to improved shelter, water and sanitation, and increasing food security and incomes through enhanced agriculture techniques.

OPIC's Investment Funds program demonstrates that it continues to serve as an important commercial and foreign policy tool overseas.

OPIC's Investment Funds program is an important vehicle for promoting U.S. foreign policy and commercial interests overseas. In addition to the 59 monitoring site visits made to Insurance and Finance projects, OPIC staff visited 19 Investment Fund subprojects during the monitoring round. Similar to the Insurance and Finance projects, investment fund subprojects were selected for site monitoring based on

statistical principles of random selection, the policy sensitivities of these projects as well as their geographic location. Because, in comparison to Finance and Insurance projects, fewer data are collected in investment subprojects prior to disbursement, analysis of the site monitored Investment Fund subprojects is provided separately.

For the site monitoring round just completed, the following discussion provides an assessment of the 19 Investment Fund subprojects visited by OPIC staff.

OPIC private equity funds leverage approximately \$576 million in project investment, generate over \$1.4 billion in U.S. exports and support over 1,300 U.S. jobs.¹⁴

During the just completed site monitoring round, OPIC visited and collected economic and development data from 19 Investment Fund subprojects. Of these investments, nine are located in Asia, six in Europe and the New Independent States (NIS); three are in Latin America, and one in Central America. Industry sectors represented in this sample include agribusiness, manufacturing, services, electronics, and telecommunications.

The 19 Investment Fund subprojects that were visited represent a total investment of approximately \$576 million in 15 countries. Total U.S. exports to these subprojects amounted to over \$1.4 billion and imports to the United States from these investments totaled approximately \$302 million, yielding a net positive trade balance of over \$1.1 billion. The remittance of profits, dividends and capital gains from investment liquidations from these 19 subprojects generated approximately \$857 million in financial reflows to the United States, resulting in a net balance of payments effect of just over \$1.5 billion. The purchase of U.S. goods and services from site monitored Investment Fund subprojects has supported almost 1,400 jobs for American workers.

With respect to the developmental benefits of OPIC Investment Fund subprojects, site monitoring indicates that the 19 subprojects have generated \$45.6 million in taxes for the host country governments annually, and have created approximately 11,300 jobs in developing countries. These positive results indicate that OPIC-supported private equity investments are resulting in economic benefits for the United States and are contributing to the development of several emerging market economies. Moreover, these findings confirm that the Investment Funds program supports U.S. commercial, economic and developmental objectives.

Monitoring confirms that OPIC generates positive economic and developmental benefits both at home and abroad.

The results of the sixth round of monitoring demonstrate the effectiveness of the economic evaluation and screening procedures used by OPIC in determining the eligibility of projects. Site monitoring found that the original projections of the projects' parameters and effects were generally good-faith estimates made on the part of OPIC investors. Overall, certain parameters were generally more positive than projections; in other cases, the outcomes did not meet original projections. On balance, however, site monitoring confirms that OPIC-assisted projects provide substantial benefits to both the U.S. and host country economies by stimulating exports, generating employment, and fostering economic growth and development.

¹⁴ Four to six of the 19 funds subprojects visited account for between 60 to 70 percent of the aggregate results.

Monitoring Methodology

OPIC's monitoring system uses random sampling, drawing from three distinct types of active projects committed by the Agency over a period of three consecutive fiscal years. The three types include randomly selected projects, additional fund subprojects, and projects in potentially sensitive industries. The "sensitive industry" sample ultimately provides a conservative bias to the monitored results. Projects that fall into this category are deemed to have a higher than average potential for a negative impact on the U.S. economy. It should be noted that OPIC undertakes a detailed ex-ante evaluation of the U.S. effects of all projects to ensure that at a minimum they will not have a significant negative impact.

The projects monitored are geographically and industrially diverse. All projects are evaluated for their effects on the U.S. and host countries' economies. Monitoring cycles are broken into three-year "rounds" both in order to increase the sample size and to maximize the use of OPIC resources available for site visits. The three-year sampling period ensures that the project universe is sufficiently large to maintain a high degree of statistical confidence and ensures that the projects monitored during a given cycle accurately represent those assisted during the time period.

The actual monitoring process involves site visits to projects in order to gather and verify information provided by the investor regarding factors such as sales, procurement, remittances and host-country developmental impact. These visits serve as the basis for individual project analyses that are then summarized in the aggregate evaluation that makes up this report.

In addition to the site-monitoring program described above, OPIC operates a "self-monitoring" system. For self-monitoring, each investor completes a questionnaire on an annual basis providing information including changes in the nature of the project, the actual amount and source of U.S. goods and services procured during the previous year, and the actual financial flows associated with the project. OPIC also requires that the investor report the host country developmental effects of the project. Self-monitoring, combined with the traditional site visit program, enables OPIC to check the accuracy of its own methodology and compare actual project performance with the original projections.

IV. ENVIRONMENTAL PROTECTION

Information pertaining to the environmental impacts of OPIC-sponsored projects is contained in OPIC's Annual Environment Report.

V. HUMAN RIGHTS AND WORKER RIGHTS

HUMAN RIGHTS

The promotion of respect for basic human rights is essential to successful OPIC-supported projects, and OPIC recognizes the importance of human rights in its programs and project evaluation process. The OPIC human rights clearance process is designed to ensure that OPIC-supported projects meet their statutory requirements, as required by the Foreign Assistance Act of 1961. For all potential projects, OPIC works in close consultation with the U.S. Department of State's Bureau for Democracy, Human Rights and Labor (DRL), prior to making a final commitment.

Since 1989, OPIC programs have been suspended by statute in the Peoples' Republic of China on human rights and worker rights grounds. Likewise, OPIC programs periodically are suspended in countries where democratically elected regimes are overthrown by military means, as occurred in Cote d'Ivoire.

OPIC focuses attention on human rights at projects in all sectors and supports multi-stakeholder initiatives such as the "Voluntary Principles on Security and Human Rights." The Principles provide guidance on safety, security, and human rights for companies in the extractive and energy sectors. OPIC encourages signatories to the Voluntary Principles to implement them to the best of their ability in OPIC-assisted projects.

WORKER RIGHTS

Country Eligibility

Since 1986, the country-level statutory criteria for OPIC programs has been whether a country is "taking steps to adopt and implement internationally recognized worker rights," as defined under the Trade Act of 1974. The Generalized System of Preferences (GSP) program, a trade benefits program overseen by the Office of the U.S. Trade Representative (USTR), has parallel statutory requirements for GSP beneficiary countries. Because of these parallel requirements, OPIC follows the USTR's actions on country eligibility for GSP programs on worker rights grounds. When a country is ineligible for the GSP on grounds other than worker rights, or in some exceptional cases where the grounds for a country's GSP eligibility have not been established firmly, OPIC makes its own country eligibility determination, in consultation with the U.S. Departments of State and Labor and Members of its Board.

As a result of USTR's GSP and OPIC determinations, OPIC programs have been suspended in 15 countries on account of their failure to meet the statutory "taking steps" standard. In ten of those countries, the program since has been restored as a result of progress in adopting and implementing internationally recognized worker rights standards. During Fiscal Year 2006, the U.S. Government reinstated GSP benefits to Liberia as a result of Liberia's commitments to improving worker rights. At the present time, OPIC eligibility is suspended in the following former GSP beneficiary countries, on worker rights grounds: Belarus and Sudan. Throughout Fiscal Year 2006, no GSP eligible countries lost

their eligibility on worker rights grounds. OPIC closely follows the USTR's petition and review process, as well as their Trade Policy Staff Committee's (TPSC) final determinations on these reviews.

Since 1995, OPIC programs have been suspended in three non-GSP eligible countries on worker rights grounds: Saudi Arabia, the United Arab Emirates and Qatar. OPIC, in consultation with the Departments of State and Labor, as well as with various NGOs, determined that the countries do not meet satisfactorily the statutory criteria with respect to internationally recognized worker rights.

Project Conditionality

In 1992, OPIC's statute was amended to ensure that individual projects assisted by OPIC do not "contribute to violations of internationally recognized worker rights." By statute, these rights include: the right of association; the right of organization and collective bargaining; a prohibition on forced or compulsory labor; minimum age for employment; and acceptable conditions of work with respect to minimum wages, hours of work, and occupational health and safety. OPIC includes statutorily required standard worker rights language in every insurance contract, and every finance and investment funds agreement. The language prohibits the use of forced labor and requires the investor to respect the rights of association, organization and collective bargaining and to observe "applicable laws" with respect to minimum age and wage requirements, hours of work and occupational health and safety.

In some cases, the "applicable laws" of the host country, or the implementation of such laws, do not meet international standards as defined by the International Labor Organization (ILO). In these instances, OPIC further contractually requires that the investor meet the relevant ILO standards for internationally recognized worker rights. Such contract conditions typically refer to non-discrimination on account of union activities, minimum age of employees, payment of minimum wages, timely payment of wages, limits on hours of work, and the right to remove oneself from hazardous work situations without undue consequences. Every project and subproject considered for OPIC financing, insurance, or for investment by an OPIC-supported investment fund in Fiscal Year 2006 was subject to a full worker rights review, and OPIC support was conditioned upon adherence to internationally recognized worker rights. Supplemental language addressing one or more of the fundamental rights was included in the vast majority of these clearances.

Monitoring and Compliance

OPIC monitors projects for compliance with contractual worker rights requirements through a combination of annual reporting by companies as well as site visits to both random and selective samples of projects. OPIC targets its worker rights monitoring efforts toward countries and sectors with a high potential for worker rights violations.

Certain areas of worker rights violations may be difficult to identify from a typical project site monitoring visit. In instances when OPIC determines further investigation is warranted for a project, OPIC employs trained and certified labor rights auditors, usually recruited from the NGO community with reputations for impartiality and credibility among both the labor and business communities, to perform a full project audit. The auditors spend as much time as necessary to investigate thoroughly potential violations. At a minimum, an audit would include independent and confidential interviews with employees, management, organized labor, government officials and knowledgeable local NGOs.

During Fiscal Year 2006, OPIC undertook worker rights monitoring for projects in Southeast Asia, Latin America, Africa, and Eastern Europe. The commitments by U.S. private businesses to the OPIC worker rights requirements were strongly demonstrated during monitoring and provided OPIC with a fuller understanding of the country conditions in which the businesses operate. Oftentimes, monitoring revealed a strong commitment by U.S. businesses to contribute to local communities in ways that extend above and beyond the OPIC's contractual requirements. This was well demonstrated by OPIC-supported projects' involvement in community and employee development efforts, including initiatives on health and hygiene, and job skills training.

OPIC continued to review and refine its contractual instruments to communicate better to potential investors OPIC's expectations with respect to worker rights and how worker rights best can be protected under diverse project and corporate structures, particularly projects involving contractors and subcontractors. OPIC continuously explores how worker rights conditionality can be incorporated best into its development projects.

VI. Reinforcing U.S. Foreign Policy Objectives

OPIC continued focusing its resources and efforts on becoming a more effective instrument of U.S. foreign policy by working in close collaboration with other U.S. agencies in bringing economic development to emerging or underserved markets. For example, the implementation of OPIC's Anti-Corruption & Transparency Initiative complements the Bush Administration's fight against corruption around the world by ensuring that OPIC-supported projects comply with requirements of the Foreign Corrupt Practices Act (FCPA).

To promote investment in particularly unstable countries that are critical to U.S. foreign policy, OPIC worked with other U.S. government agencies to create the Rapid Economic Development Initiative (REDI), which is designed to facilitate a coordinated and responsive approach to targeting new projects in these critical areas. Furthermore, OPIC forged new partnerships with the governments of Central America and the Dominican Republic to facilitate private sector investment in the region since the enactment of the Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR). And OPIC continues to actively promote U.S. private investment in regions that are particularly vital to U.S. foreign policy, such as the Middle East, North Africa and Sub-Saharan Africa.

OPIC is Committed to Fighting Corruption and Improve Governance

Fighting corruption and assuring transparency are integral components of OPIC's developmental mission. Research proves that countries that take measures to improve governance and reduce corruption are better able to attract foreign investment. For OPIC, this means the agency's developmental mission – and the U.S. foreign policy objectives OPIC supports – only can be achieved when the benefits of OPIC-supported projects are openly channeled to promote host countries' economic growth and not corruptly diverted to personal enrichment.

In September 2006, OPIC announced its Anti-Corruption & Transparency Initiative, which builds on the agency's efforts over the past five years to enhance the clarity of OPIC's activities and its commitment to creating a level playing field for lawful business activities. OPIC's Initiative complements the National Strategy Against High Level Corruption, announced by President Bush on August 20th. Chief among the reforms is an OPIC Statement of Principles endorsing the guidelines of the Extractive Industries Transparency Initiative (EITI), announced at the World Summit on Sustainable Development in 2002. EITI principles seek to ensure that revenues from extractive industries projects contribute to sustainable development and poverty reduction and not individual enrichment. OPIC encourages its investors to commit to abiding by the guidelines and takes that participation into account during the approval and pricing process.

In addition, OPIC published an Anti-Corruption Handbook outlining U.S. investors' obligations to comply with requirements of the Foreign Corrupt Practices Act (FCPA). OPIC also established a corruption 'hotline' to provide guidance to U.S. investors and to provide a means to report information on potential irregularities in OPIC-supported programs. To enhance transparency, OPIC increased information sharing with the American public, and communities likely to be affected by OPIC projects. For example, OPIC-supported projects now will require enhanced consultation with locally affected communities on Category A projects – those with the potential to have a significant adverse environmental impact – in order to identify potentially adverse project consequences early in the process. Also, OPIC will begin posting non-business confidential summaries of OPIC-supported projects and non-business confidential versions of certain, additional environmental documents for Category A projects on

OPIC's web site. All of these initiatives have resulted as part of OPIC's Anti-Corruption and Transparency Initiative.

OPIC's Rapid Economic Development Initiative targets investment in Lebanon, Afghanistan, Pakistan, and Liberia

OPIC's new Rapid Economic Development Initiative (REDI), created in conjunction with other U.S. government agencies, targets investment in nations whose security or continued political and economic stability urgently depend on quick, tangible economic progress. These REDI countries are Lebanon, the West Bank/Gaza, Pakistan, Afghanistan, and Liberia.

OPIC reopened its programs in Liberia for the first time since 1990, reaffirming U.S. government support for Liberia following the democratic election of President Ellen Johnson-Sirleaf and the conclusion of its long civil war. Between 1971 and 1989, OPIC provided nearly \$60 million in financing and political risk insurance to 12 projects in Liberia, in sectors ranging from agriculture and manufacturing to tourism and financial services. Liberia had been closed to OPIC assistance since 1990 because of worker rights concerns, which had prompted the U.S. Trade Representative to suspend the country's benefits under the Generalized System of Preferences (GSP). According to the OPIC's statute, OPIC may only operate in countries that are taking steps to adopt and implement laws that extend internationally-recognized worker rights. However, after President Sirleaf's democratic election in October 2005 and inauguration in January, President Bush reinstated duty-free trade benefits for Liberia under the GSP program. Liberia became eligible for GSP benefits on March 9. OPIC actively encourages private investment in Liberia through multiple initiatives.

One of President Bush's most urgent foreign policy priorities is to help Lebanon recover from recent hostilities and support democracy in the country. In FY 2006, OPIC worked with Citigroup to establish a loan facility to support Lebanon's economic recovery, mobilizing private capital for home repair and reconstruction, long-term mortgage financing and small and medium-sized enterprises (SMEs). Backed by the OPIC partial guaranty, Citigroup will be able to increase both the amount and tenor of the funding it can make available to Lebanon's private sector. OPIC continues to support private sector investment in Lebanon through numerous projects in Lebanon – these initiatives were recently noted during a meeting with Lebanese leadership and Secretary of State Condoleezza Rice regarding U.S. support for Lebanese economic recovery.

In Afghanistan, OPIC has

[REDACTED]

* Information has been Redacted in accordance with the two principled exceptions of the Foreign Aid Transparency and Accountability Act (FATAA) of 2016; including the health and security of implementing partners, as well as national interest of the United States.

OPIC is working in partnership with other government agencies and the private sector to facilitate investment in Central America.

In 2006, OPIC strengthened and forged new partnerships with the U.S. Department of Commerce, the U.S. Trade Representative, the Millennium Challenge Corporation, Central American governments, and private lending institutions to help bring sustained economic growth, to increase living standards, and to reduce poverty throughout Central America. This year, OPIC signed new investment incentive agreements with the governments of El Salvador, Honduras, and Nicaragua, officially making OPIC support available for projects in these countries. OPIC President Robert Mosbacher, Jr. has visited the region three times since enactment of the Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR). This agreement removes trade barriers between the United States and Costa Rica, Honduras, Nicaragua, Guatemala, El Salvador, and the Dominican Republic. This initiative will support jobs and growth in the region, while giving U.S. exporters access to the tenth largest combined market in the world. OPIC will continue to ensure that increased private sector investment plays an important role in this new regional relationship.

In 2006, OPIC issued a call for proposals for new private equity investment funds designed specifically to stimulate economic growth in Central America. OPIC will provide up to \$45 million in financing toward a possible \$135 million investment fund. In April, OPIC's Board of Directors approved \$45 million in debt financing for the \$90 million Darby ProBanco Fund II. The Fund will be focused on achieving long-term capital appreciation through investment in the financial sector in Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica Panama, Dominican Republic, Colombia, and Mexico. Financial sector investments may include banks, non-bank financial intermediaries and specialized financial services firms. Such investments will provide rapid development and profitability of financial institutions in the region. The ProBanco fund is expected to generate approximately \$7.3 million in annual duties and taxes to the governments in the Fund countries, create over 1,125 permanent jobs, and generate over \$525 million in procurement expenditures within the Fund countries.

Also in 2006, OPIC provided \$250 million in OPIC guaranties for a new lending facility managed by Wachovia Corporation that will focus on Latin America and CAFTA-DR. Wachovia will issue loans to partner banks that will then lend to small and medium-sized businesses, homeowners, and consumers. A \$350 million OPIC guaranty issued to National City Bank will support increased lending for housing reconstruction, providing much-needed credit for a sector vital to the region's economic growth. OPIC is partially financing U.S.-based micro lender ACCION International to help capitalize microfinance lenders in Latin America and the Caribbean.

OPIC expanded its efforts in the strategic regions of the Middle East and North Africa.

As of September 30, 2006, OPIC's exposure in the Middle East and North Africa is over \$1.4 billion, involving 19 finance, insurance, and investment fund projects. OPIC actively sought projects that aided in the reconstruction efforts in Iraq. For example, OPIC and Citigroup agreed to partner in a \$70 million structured credit facility that will enable the Trade Bank of Iraq (TBI) to issue letters of credit that will be confirmed by leading financial institutions. The Trade Bank of Iraq is an independent Iraqi government entity created to provide trade finance services that Iraqi financial institutions are currently unable to offer. The facility will guaranty reimbursement obligations on TBI letters of credit that are not, or not entirely, already supported by export credit agency cover. The facility represents the first time

commercial lenders such as Citigroup and others have been able to extend letters of credit in Iraq that are not fully cash collateralized. Consequently, the project will increase the availability of financing for Iraqi trade transactions, which will facilitate the provision of goods and services vital to Iraq's reconstruction.

This fiscal year, OPIC's Board of Directors approved the provision of \$200 million in OPIC political risk insurance for a project that will further develop 18 oil and gas concessions in Egypt over the next five years, significantly expanding the country's energy infrastructure. Houston-based Apache Corporation, the largest U.S. investor in Egypt, will use the OPIC insurance to support \$1.8 billion of new investment during 2006-2010, specifically for the exploration, development and production of oil and gas concessions in Egypt's Western Desert region. Among the concessions is the Qasr field: with more than two trillion cubic feet of gas and 50 million barrels of estimated recoverable reserves, it is the largest field ever found by Apache. The majority of the oil and gas produced by the concessions will be used for domestic consumption. In addition to generating hundreds of permanent local jobs and substantial tax revenues for the Egyptian government, the project supports the construction of 200 schools for Egyptian girls in rural communities by an Apache-sponsored nonprofit organization, Springboard – Educating the Future. The project is OPIC's second with Apache in the past two years. In April 2004, OPIC's board approved \$300 million in insurance to support Apache's effort to help Egypt shift the emphasis of its energy production from oil to more environmentally-friendly natural gas.

OPIC is providing \$250 million in political risk insurance to Citigroup and the Israel Electric Corporation (IEC) for the construction of a natural gas pipeline that will reduce Israel's dependence on imported fossil fuels and generate \$200 million in annual savings for electricity generation. OPIC's insurance will cover a loan for the construction of a 65-mile pipeline that will transport natural gas produced offshore, from Ashdod in southern Israel to Hagit in the north, for downstream power projects in the country. Once completed, the pipeline will be owned by the Israeli government and operated by Israel Natural Gas Lines. OPIC is providing the insurance to the IEC Gas Pipeline Financing Trust; Citigroup arranged financing for the project.

Sub-Saharan Africa continues to be one of OPIC's top priorities.

OPIC continued actively to seek developmental projects in Sub-Saharan Africa in 2006, particularly those that will improve significantly the region's basic financial infrastructure and housing sectors. As of September 30, 2006, OPIC's exposure in Sub-Saharan Africa is over \$1.8 billion, involving 76 finance, insurance, and investment fund projects. In Fiscal Year 2006, OPIC assisted 14 new projects in Sub-Saharan Africa, representing 20 percent of the year's total projects.

OPIC sponsored and participated in several investment conferences in the region. In September 2006, OPIC President Robert Mosbacher, Jr. addressed the Corporate Council on Africa's first U.S.-Africa Infrastructure Conference. The conference showcased the numerous opportunities that exist in infrastructure development across Africa for prospective American and African business partners. The conference focused on key African growth sectors, including water, energy, transportation, and information and communication technology, and brought together ministers of planning and finance from several African countries, infrastructure experts, and business leaders from both the United States and Africa.

Also in 2006, OPIC sponsored "Housing Africa", an international conference designed to identify opportunities for U.S. companies to invest in the housing sector in Africa. The conference, held in Cape Town, South Africa, drew more than 250 participants from the United States, Europe and 21 African

countries. The conference represented a unique opportunity to hear from leading housing experts, U.S. businesses, legal experts, private equity fund managers, and U.S. and African senior government officials about investment potential in the continent's many emerging housing markets. The conference also featured local businesses and banks engaged in the housing sector, and provided opportunities for facilitating key private sector investment partnerships with U.S. businesses planning to invest in the housing sector.

ATTACHMENTS

Exhibit 1

**U.S. EMPLOYMENT AND ASSOCIATED EFFECTS OF OPIC-ASSISTED PROJECTS,
FY 2006 (PROJECTIONS)**

(1 Page)

Exhibit 2

**BREAKOUT OF FINAL THIRD COUNTRY DESTINATION OF THE OUTPUT OF OPIC-
ASSISTED PROJECTS, FY 2006 (PROJECTIONS)**

(2 Page)

Exhibit 3

**U.S. EMPLOYMENT EFFECTS AND HOST COUNTRY LOCATION OF OPIC-ASSISTED
PROJECTS, FY 2006**

(4 Pages)

Exhibit 4

SCORED PROJECTS UNDER THE DEVELOPMENT MATRIX, FY 2006

(1 Page)

Exhibit 1

U.S. EMPLOYMENT AND ASSOCIATED EFFECTS OF OPIC-ASSISTED PROJECTS, FY 2006 (Projections)
 (All Dollar Figures are in Thousands)

<u>Industry Sector</u>	<u>Number of Projects</u>	<u>U.S. Exports Generated 1/</u>	<u>Final Destination of Project Output 2/</u>			<u>Effect on U.S. Production 1/</u>	<u>Effect on U.S. Employment 1/ 3/</u>			<u>Effect on U.S. Trade Balance 1/</u>
			<u>Host Country</u>	<u>U.S.</u>	<u>3rd Country</u>		<u>Initial</u>	<u>Operating</u>	<u>Total</u>	
A. Projects with Positive Effects on Employment 4/										
Manufacturing	2	\$6,286	\$16,920	\$0	\$35,400	\$6,286	69	0	69	\$12,572
Agribusiness	3	\$9,161	\$159	\$27,897	\$24,540	\$148,648	63	47	110	\$157,809
Minerals/Energy	4	\$309,976	\$55,238	\$0	\$455,000	\$309,976	1,382	1,283	2,664	\$619,952
Services	22	\$749,464	\$1,200,521	\$98,596	\$216,760	\$1,242,445	2,975	7,990	10,965	\$1,991,908
Positive Total			<u>5/</u>							
B. Projects with Neutral Effects on Employment 6/										
Manufacturing	3	\$0	\$33,553	\$0	\$0	\$0	0	0	0	\$0
Agribusiness	2	\$1,845	\$8,510	\$4,384	\$4,918	\$23,766	9	7	16	\$25,611
Minerals/Energy	2	\$0	\$10,000	\$0	\$0	\$0	0	0	0	\$0
Services	32	\$11,384	\$287,834	\$37	\$2,090	\$11,570	3	12	15	\$22,954
Neutral Total	39	\$13,228	\$339,897	\$4,422	\$7,008	\$35,337	12	19	31	\$48,565
C. Projects with Negative Effects on Employment 7/										
Negative Total	0	\$0	\$0	\$0	\$0	\$0	0	0	0	\$0
Net FY Total	70	\$1,088,115	\$1,612,735	\$130,915	\$738,707	\$1,742,691	4,500		13,839	\$2,830,807

1/ Total effect during first five years of project operation.

2/ Average annual effect during first five years of project operation.

3/ Person years of employment.

4/ Projects with a U.S. employment effect of 2 or more jobs (10 person years or more of employment during the first 5 years of project operation).

5/ Totals may differ slightly from the sum of individual sectors due to rounding.

6/ Projects with a U.S. employment effect of plus or minus 2 jobs (plus/minus 10 person years of employment during the first 5 years of project operation).

7/ There were no projects assisted in fiscal 2006 that resulted in the loss of any U.S. employment.

Exhibit 2

**BREAKOUT OF FINAL THIRD COUNTRY DESTINATION OF
THE OUTPUT OF OPIC-ASSISTED PROJECTS, FY 2006 (Projections)**
(All Figures are in Thousands)

PROJECTS WITH POSITIVE EFFECTS ON U.S. EMPLOYMENT 1/

Agribusiness

Japan	\$9,280
The Netherlands	\$4,704
United Kingdom	\$10,556
Sector Total	\$24,540 2/

Manufacturing

Algeria	\$200
Italy	\$8,700
Morocco	\$200
Turkey	\$26,000
European Union	\$300
Sector Total	\$35,400 2/

Services

Argentina	\$640
Brazil	\$768
Chile	\$384
Dominican Republic	\$384
Italy	\$2,000
Panama	\$384
World	\$212,200
Sector Total	\$216,760 2/

Minerals and Energy

China	\$91,000
Germany	\$30,000
India	\$30,000
Japan	\$274,000
Korea	\$30,000
Sector Total	\$455,000 2/

TOTAL POSITIVE EFFECTS	\$731,699
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PROJECTS WITH NEUTRAL EFFECTS ON U.S. EMPLOYMENT ^{3/}

Agribusiness

Chad	\$300
China	\$593
Gabon	\$500
Japan	\$1,577
Nigeria	\$1,000
European Union	\$949
Sector Total	\$4,918 ^{2/}

Manufacturing

Sector Total	\$0
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Services

Armenia	\$2,015
Brazil	\$75
Sector Total	\$2,090 ^{2/}

Minerals and Energy

Sector Total	\$0
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TOTAL NEUTRAL EFFECTS	\$7,008
FY TOTAL	\$738,707

^{1/} Represents projects with a U.S. employment effect of 2 or more jobs (10 person years or more of employment during the first 5 years of project operation). There were no projects assisted in fiscal 2006 that resulted in the loss of any U.S. employment.

^{2/} Totals may differ slightly from the sum of individual countries due to rounding.

^{3/} Represents projects with a U.S. employment effect of plus or minus 2 jobs (plus/minus 10 person years of employment during the first 5 years of project operation). There were no projects assisted in fiscal 2006 that resulted in the loss of any U.S. employment.

Exhibit 3 -- U.S. EMPLOYMENT EFFECTS AND HOST-COUNTRY LOCATION OF OPIC-ASSISTED PROJECTS, FY 2006

A. PROJECTS WITH POSITIVE EFFECTS ON EMPLOYMENT 1/

COUNTRY/REGION	AGRICULTURE	MANUFACTURING	SERVICES	MINERALS & ENERGY	TOTAL
Multi-Regional			3		3
Total Multi-Regional	0	0	3	0	3
Europe Regional			1		1
Kosovo			1		1
Moldova		1			1
Romania			1		1
Russia			3		3
Total Europe	0	1	6	0	7
Middle East Regional			1		1
Total Middle East & North Africa	0	0	1	0	1
Philippines			1	1	2
Vietnam			1		1
Total East Asia	0	0	2	1	-
Latin America Regional			1	1	2
Belize			1		1
Bolivia			1		1
Brazil				1	1
Guatemala	1		1		2
Mexico			3		5
Nicaragua			1		2
Peru				1	1
Total Latin America	3	1	8	3	15

Continued on next page

Exhibit 3 -- U.S. EMPLOYMENT EFFECTS AND HOST-COUNTRY LOCATION OF OPIC-ASSISTED PROJECTS, FY 2006 (continued)

A. PROJECTS WITH POSITIVE EFFECTS ON EMPLOYMENT (continued)

<u>COUNTRY/REGION</u>	<u>AGRICULTURE</u>	<u>MANUFACTURING</u>	<u>SERVICES</u>	<u>MINERALS & ENERGY</u>	<u>TOTAL</u>
Gabon			1		1
Ghana			1		1
Total Sub-Saharan Africa	0	0	2	0	
TOTAL POSITIVE	3	2	22	4	31

^{1/} Projects with a U.S. employment effect of 2 or more jobs (10 person years or more of employment during the first 5 years of project operation). There were no projects assisted in fiscal year 2006 that resulted in the loss of any U.S. employment.

Continued on next page

Exhibit 3 -- U.S. EMPLOYMENT EFFECTS AND HOST COUNTRY LOCATION OF OPIC-ASSISTED PROJECTS, FY 2006 (continued)

B. PROJECTS WITH NEUTRAL EFFECTS ON EMPLOYMENT 1/

COUNTRY/REGION	AGRICULTURE	MANUFACTURING	SERVICES	MINERALS & ENERGY	TOTAL
Azerbaijan			1		1
Georgia		1	3		4
Kazakhstan			1		1
Kyrgyz Republic			1		1
Romania			1		1
Russia			3		3
Ukraine			1		1
Total Europe	0	1	11	0	12
Iraq			2		2
Total Middle East & North Africa	0	0	2	0	2
Afghanistan	1				1
India		1			1
Nepal			1	1	2
Total South Asia	1	1	1	1	4
Latin America Regional			1		1
Argentina			1		1
Brazil	1				1
Costa Rica			1		1
Dominica				1	1
Honduras			1		1
Mexico		1	1		2
Nicaragua			1		1
Total Latin America	1	1	6	1	9
Burundi					1
Congo, Dem. Rep.			5		5
Ghana			2		2
Kenya			1		1
Namibia			1		1
Tanzania			1		1
Zambia			1		1
Total Sub-Saharan Africa	0	0	12	0	12
TOTAL NEUTRAL	2	3	32	2	39

Continued on next page

C. PROJECTS WITH NEGATIVE EFFECTS ON EMPLOYMENT

<u>COUNTRY/REGION</u>	<u>AGRICULTURE</u>	<u>MANUF/ELECT</u>	<u>SERVICES</u>	<u>MINERALS & ENERGY</u>	<u>TOTAL</u>
TOTAL NEGATIVE	0	0	0	0	0

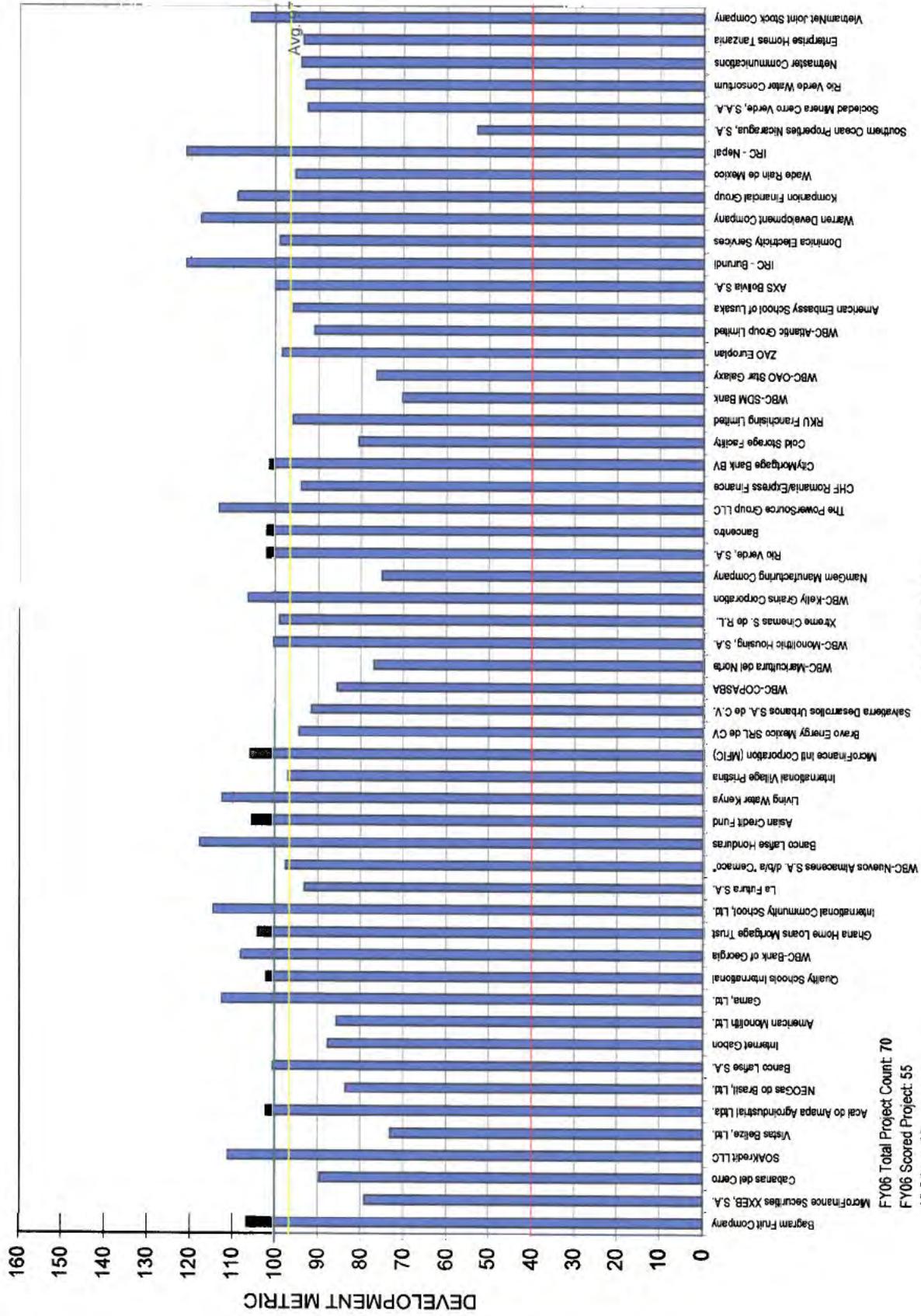
D. TOTAL PROJECT EFFECTS ON EMPLOYMENT

TOTAL EFFECTS: Positive, Neutral & Negative ALL OPIC COUNTRIES	5	5	54	6	70
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1/ Projects with a U.S. employment effect of plus or minus 2 jobs (plus/minus 10 person years of employment during the first 5 years of project operation).
There were no projects assisted in fiscal year 2006 that resulted in the loss of any U.S. employment.

FY06 OPIC SCORED PROJECTS

as of 11/29/06



PROJECTS

FY06 Total Project Count: 70
 FY06 Scored Project: 55
 All Others: 15
 FY06 Total Subloan Count: 23